

## Message Text

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ACTION PM-03

INFO OCT-01 EA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00 INR-07

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 2991

INFO SECDEF

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DEPCHIEF JUSMAGTHAI UDORN

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 1978

E.O. 11652: GDS

TAGS: PGOV, PFOR, MASS, EAID, LA

SUBJECT: ASSESSMENT FOR U.S. SECURITY ASSISTANCE PROGRAM OF LAOS

REF: A) STATE 015489

B) STATE 018629

BEGIN SUMMARY: THIS CABLE PROVIDES AMBASSADOR'S OVERALL ASSESSMENT, REQUESTED PARA 3B REF A, OF THE NEED FOR AND THE EFFECTIVENESS OF THE U.S. SECURITY ASSISTANCE PROGRAM PLANNED FOR LAOS IN FY-76 AND PROJECTED FOR FY 77-81. END SUMMARY.

I. SECURITY ASSISTANCE PROGRAM.

A. THE ADMINISTRATION HAS DEVELOPED A \$37.9 MILLION MAP-FUNDED SECURITY ASSISTANCE PROGRAM FOR LAOS IN FY-76. DURING THE NEXT 5 YEARS OF THE PLANNING PERIOD WE PROPOSE A DECLINING LEVEL OF SECURITY ASSISTANCE, AS FOLLOWS (IN MILLIONS OF DOLLARS). (SUPPLY OPERATIONS ARE NOT INCLUDED).

FY 77 - 26.5      FY 80 - 24.4

FY 78 - 24.5      FY 81 - 24.3

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FY 79 - 24.5

THE LEVELS OF SECURITY ASSISTANCE ENVISAGED FOR LAOS ARE DECLINING; IN COMPARISON WITH PREVIOUS YEARS, THE REDUCTIONS ARE DRAMATIC, REFLECTING THE TRANSITION FROM WAR TO PEACE. U.S. MILITARY ASSISTANCE (MASF) IN FY-73 WAS \$276 MILLION; IN FY-74, \$82.3 MILLION. IN FY-75, ASSISTANCE WAS CHANGED FROM MASF TO MAP AT \$58.5 MILLION, ALTHOUGH ONLY APPROXIMATELY \$30 MILLION HAS BEEN AUTHORIZED. IN OUR JUDGMENT, THE \$37.9 MILLION WHICH HAS BEEN PROGRAMMED FOR FY-76 CONSTITUTES A REASONABLE LEVEL IN RELATION TO OUR OBJECTIVES.

B. THE SECURITY ASSISTANCE PROGRAM WILL SUPPORT A LAO MILITARY FORCE OF 46,000 THROUGH FY-80. (THE FORCE LEVEL FOR FY-81 WILL HAVE TO BE DETERMINED LATER.) BY THE BEGINNING OF FY-76, THAT FORCE WILL HAVE BEEN CUT BY ALMOST 38,000 OVER A TWO-YEAR PERIOD. WE BELIEVE IT PRUDENT FOR REASONS DEVELOPED BELOW TO MAINTAIN THE FORCE STRUCTURE AT THE 46,000 LEVEL FOR MOST OF THE PLANNING PERIOD. A SUBSEQUENT CUT MIGHT BE POSSIBLE BUT SHOULD BE MADE ONLY IN LIGHT OF THE DEVELOPING POLITICAL SITUATION.

C. THE SECURITY ASSISTANCE PROGRAM PLANNED FOR FY 76-81 REFLECTS THE NEEDS OF THE RLGAF BY CONTINUING TO ALLOCATE A VERY HIGH PROPORTION OF FUNDS TO OPERATIONS AND MAINTENANCE. (SIGNIFICANT INVESTMENT ITEMS AND CONSTRUCTION PROJECTS ARE NOT CONTEMPLATED.) SUCH AN ALLOCATION IS MADE NECESSARY BY THE REALITIES OF THE LAO BUDGET AND ECONOMY; A MAJOR PORTION OF THE LAO MILITARY BUDGET GOES TO PAY SALARIES AND ALLOWANCES FOR ARMED FORCES PERSONNEL. GIVEN THE CONSIDERABLE U.S. INVESTMENT IN PREVIOUS YEARS TO BUILD AND EQUIP THE RLGAF, AND PARTICULARLY THE AIR FORCE, IT IS IN OUR INTEREST TO PROVIDE THE RLGAF WITH THE MEANS NECESSARY TO MAINTAIN AND OPERATE THE PLANES AND EQUIPMENT.

## II. NEED FOR SECURITY ASSISTANCE

A. SECURITY ASSISTANCE IS ESSENTIAL TO ACHIEVEMENT OF U.S. POLICY OBJECTIVES IN LAOS DURING THE PLANNING PERIOD. OUR PRINCIPAL INTERESTS HERE ARE TO MAINTAIN PEACE AND THE INDEPENDENCE AND NEUTRALITY OF THE COUNTRY. PRESERVATION OF CONFIDENTIAL

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PEACE AND FURTHERANCE OF NATIONAL RECONCILIATION DEPEND ON THE SUCCESSFUL FUNCTIONING OF THE COALITION GOVERNMENT, WHICH IN TURN DEPENDS ON THE VIABILITY OF THE VIENTIANE SIDE IN POLITICAL COMPETITION WITH THE COMMUNIST PATHET LAO. SECURITY ASSISTANCE PLAYS A SIGNIFICANT PART IN STABILIZING THE INTERNAL SETTLEMENT, BECAUSE THE RLGAF IS THE SINGLE MOST COHESIVE AND LARGEST ELEMENT OF THE VIENTIANE SIDE.

B. IT TAKES TWO TO MAKE A COALITION WORK. THE LPF, WHO CONTINUE TO RECEIVE STRONG SUPPORT FROM THE NORTH VIETNAMESE, HAVE NOT GIVEN UP THEIR GOAL OF PREVAILING IN THE COALITION AND WILL EXPLOIT ANY WEAKNESS OF THE VIENTIANE SIDE. DURING THE FIRST YEAR OF THE COALITION GOVERNMENT (1974-75), THE PATHET LAO BACKED STRIKES AND DEMONSTRATIONS AND INITIATED SMALL-SCALE MILITARY CLASHES IN EFFORTS TO INCREASE ITS INFLUENCE, BUT SO FAR THE VIENTIANE SIDE HAS KEPT ITS EQUILIBRIUM. WE BELIEVE THE LPF, IN PUSHING FOR GREATER POLITICAL GAINS, WILL INCREASE THE PRESSURE ON THE VIENTIANE SIDE, FURTHER TESTING ITS RESILIENCE.

C. THE VIENTIANE SIDE, WHICH WAS SO HEAVILY DEPENDENT ON THE U.S. IN TIME OF MILITARY HOSTILITIES, CONTINUES TO LOOK TO US FOR SUPPORT FOR ITS SURVIVAL. THE U.S. IS THE ONLY SOURCE OF SECURITY SUPPORT FOR THE VIENTIANE SIDE'S ARMED FORCES; THE FRENCH PROVIDE ONLY TRAINING AND MILITARY EDUCATION. CONTINUED SUPPORT IS REQUIRED TO AVOID (A) THE SWIFT DEMORALIZATION AND CRUMBLING OF THE VIENTIANE SIDE, OR (B) AN IRRATIONAL ACT OF DESPERATION BY THE VIENTIANE SIDE MILITARY WHICH COULD OVERTURN THE POLITICAL SETTLEMENT.

D. SECURITY ASSISTANCE WILL HAVE TO CONTINUE ON A GRANT BASIS, AS IN THE PAST, THROUGH THE PLANNING PERIOD. THE LAO GOVERNMENT DOES NOT HAVE, NOR WILL IT HAVE, THE RESOURCES TO MAKE PURCHASES OF MILITARY EQUIPMENT AND SUPPLIES OR EVEN TO REPAY FMS CREDITS. (SEE SECTION IV BELOW).

### III. EFFECTIVENESS OF SECURITY ASSISTANCE

A. THE U.S. SECURITY ASSISTANCE PROGRAM PLANNED FOR FY-  
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76-81 IS INTENDED TO SUSTAIN A FORCE OF SUFFICIENT SIZE TO CONTRIBUTE TO THE POLITICAL STABILITY OF THE VIENTIANE SIDE, TO MAINTAIN INTERNAL SECURITY, AND AT THE SAME TIME SERVE AS A MILITARY COUNTERWEIGHT TO THE PATHET LAO ARMED FORCES. THE 46,000 FORCE LEVEL PROJECTED THROUGH FY 80 MAY ACTUALLY EXCEED THE REQUIREMENTS FOR INTERNAL SECURITY IN A PEACEFUL SITUATION. IT CONSTITUTES, HOWEVER, A REASONABLE STRENGTH DURING THE "PROVISIONAL" PERIOD OF THE COALITION'S EXISTENCE WHEN THE EQUILIBRIUM BETWEEN THE TWO SIDES REMAINS DELICATE. THE PATHET LAO HAVE 2,200 AND 1,100 TROOPS, INCLUDING THOSE SERVING IN THE JOINT POLICE, IN VIENTIANE AND LUANG PRABANG, RESPECTIVELY. IN ADDITION, THE PL HAVE AN ESTIMATED 35,000 MEN IN THEIR ARMED FORCE IN THEIR ZONE, BUTTRESSED BY THE CONTINUED PRESENCE OF 27,000 NORTH VIETNAMESE TROOPS IN LAOS.

PERIODICALLY THERE VVE BEEN SMAFJ-SCALE CLASHES BETWEEN THE PL AND RLGAU UNITS AS THE PL HAVE SOUGHT TO PROBE AREAS OF WEAKNESS. THE PROJECTED RLGAU STRENGTH IS CONSONANT WITH THE MILITARY AND POLITICAL REQUIREMENTS FOR A LIGHTLY ARMED AND EQUIPPED FORCE--WITHOUT JETS OR TANKS--TO MAINTAIN ITS ABILITY TO COUNTER THESE PATHET LAO PRESSURES.

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ACTION PM-03

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INFO SECDEF  
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B. IF THE CEASE-FIRE HOLDS, THE RLGAU SHOULD ALSO BE ABLE TO PERFORM A ROLE IN NATIONAL RECONSTRUCTION AND DEVELOPMENT. THE RLGAU IS ALREADY UNDERTAKING SUCH AN EFFORT BY USING ITS TRANSPORT PLANES TO HAUL PEOPLE AND CARGO, A TASK FORMERLY BORNE BY U.S. CONTRACT AIR CARRIERS. MOST OF THE REFUGEES NOW BEING RETURNED TO THEIR HOME AREAS IN THE PATHET LAO ZONE ARE BEING FLOWN ON RLGAU PLANES.

IV. RELATIONSHIP BETWEEN SECURITY ASSISTANCE AND U.S., THIRD COUNTRY AND OTHER ECONOMIC ASSISTANCE.

A. LAOS' NEED FOR FOREIGN ASSISTANCE  
1. LAOS REMAINS ONE OF THE 25 LEAST DEVELOPED COUNTRIES IN THE WORLD. IN CY 75 ITS ENTIRE GNP IS ESTIMATED AT SOME \$185 MILLION. DURING THE WARY YEARS, GOVERNMENT EXPENDITURES

AND THE RESULTING BUDGET DEFICIT GREW RAPIDLY. IN CY 75 PGNU EXPENDITURES ARE ESTIMATED AT APPROXIMATELY \$78 MILLION (CONVERTED AT 605 KIP TO THE DOLLAR), WHILE REVENUES--INCLUDING THE FINANCIAL TRANSFER TAX ON FOREIGN EXCHANGE SALES--ARE ESTIMATED AT \$40 MILLION. THE ALREADY SIZEABLE BUDGET DEFICIT, MUCH OF WHICH RESULTS FROM PROJECTED CY 75 RLGA EXPENDITURES OF \$27 MILLION (WHICH IS 35 PERCENT OF TOTAL

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ESTIMATED EXPENDITURES OR 68 PERCENT OF ESTIMATED COLLECTED REVENUES), PREVENTS THE LAO GOVERNMENT FROM FUNDING MANY OTHER PROGRAMS WHICH MUST BE CARRIED BY THE U.S., THIRD COUNTRIES, AND INSTITUTIONAL DONORS. THESE CONTRIBUTIONS PROVIDE ESSENTIAL COMMODITIES AND SERVICES.

2. WHILE THE FORMATION OF THE PGNU MAY HAVE USHERED IN A NEW ERA OF POTENTIAL POSTWAR DEVELOPMENT, THE CONTINUED DE FACTO DIVISION OF THE COUNTRY COMPLICATES THE ACHIEVEMENT AND MAINTENANCE OF ECONOMIC AND POLITICAL STABILITY. IN FACT, ECONOMIC DEVELOPMENT--UNDER THE BEST OF CONDITIONS--WILL BE A VERY DIFFICULT TASK. CURRENT WORLDWIDE INFLATION HAS COMPOUNDED LAOS' CONTINUING NEED FOR FOREIGN ECONOMIC ASSISTANCE. LAOS ALREADY HAS A CRITICAL FOREIGN EXCHANGE SHORTAGE, WITH RECORDED FOREIGN EXCHANGE AVAILABILITIES IN CY 74 TOTALING ONLY \$50 MILLION, ALL BUT \$15 MILLION OF WHICH WAS PROVIDED BY FOREIGN AND INSTITUTIONAL DONORS.

B. U.S. ECONOMIC AID LEVELS. THE U. S. IS THE LARGEST SINGLE CONTRIBUTOR OF ECONOMIC ASSISTANCE TO LAOS. THOUGH WE SHALL CONTINUE TO URGE THE PGNU TO TAKE MEASURES THAT WILL REDUCE ITS DEPENDENCE ON FOREIGN AID, AND AT THE SAME TIME ENCOURAGE OTHER DONORS TO PROVIDE ADDITIONAL ASSISTANCE,

THE NEED FOR U. S. ECONOMIC ASSISTANCE WILL REMAIN FOR A CONSIDERABLE TIME. SUCH AID SHOULD NOT BE RAPIDLY REDUCED IF WE ARE TO SUPPORT U.S. POLICY OBJECTIVES IN LAOS APPROVED BY THE NSC AND ELABORATED IN THE FY 1976 PARA FOR LAOS (VIENTIANE A-016).

C. THIRD-COUNTRY AND INSTITUTIONAL ECONOMIC AID. IN LATE 1974 AND EARLY 1975 AS A RESULT OF PGNU AID-SEEKING MISSIONS TO 23 COUNTRIES IN EUROPE, ASIA AND AFRICA, LAOS RECEIVED SIGNIFICANT NEW PLEDGES OF ASSISTANCE FROM THIRD COUNTRIES (\$58 MILLION IN NEW COMMITMENTS IN CY 75), LARGELY IN THE FORM OF PROJECTS AND COMMODITIES. MANY UN AGENCIES (UNDP, WHO, UNICEF, UNHCR) HAVE ESTABLISHED MISSIONS IN LAOS AND ARE BEGINNING TO PROVIDE SUBSTANTIAL ASSISTANCE. INTERNATIONAL INSTITUTIONS ARE ALSO SHOWING INCREASED INTEREST IN AIDING LAOS AND IN PROMOTING THE ESTABLISHMENT OF A FRAMEWORK FOR COORDINATING DONOR ASSISTANCE. WE CANNOT ASSESS AT THIS TIME HOW MUCH AID

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WILL ULTIMATELY MATERIALIZE, HOW SOON IT WILL REACH LAOS, OR THE EXTENT TO WHICH OUR OWN ECONOMIC ASSISTANCE CAN BE REDIRECTED.

V. INTER-RELATIONSHIP OF ECONOMIC AND SECURITY ASSISTANCE.

A. U.S. SECURITY AND ECONOMIC ASSISTANCE TOGETHER PROVIDE THE BASIC SUPPORT THAT WILL HELP TO MAINTAIN ECONOMIC, POLITICAL, AND MILITARY STABILITY IN LAOS. THEY FUND ESSENTIAL PROGRAMS WHICH THE LAO GOVERNMENT, WITH ITS LIMITED RESOURCES, CANNOT PAY FOR. OUR ECONOMIC ASSISTANCE PROGRAM PROVIDES SUPPORT FOR: 1) THE STABILIZATION PROGRAM WHICH FURNISHES THE NECESSARY FOREIGN EXCHANGE TO FINANCE ESSENTIAL IMPORTS; 2) REFUGEES CREATED BY WARTIME DISLOCATIONS; 3) HOSPITALS, DISPENSARIES, AND MEDICINES; 4) IMPROVED EDUCATIONAL FACILITIES. SECURITY ASSISTANCE, LARGELY ALLOCATED FOR THE OPERATIONS AND MAINTENANCE OF THE ARMED FORCES AND NOT FOR INVESTMENT ITEMS OR CONSTRUCTION PROGRAMS, IS ESSENTIAL TO MAINTAIN THE MILITARY POSTURE AND EFFECTIVENESS OF THE RLGA.

B. THESE PROGRAMS HAVE BEEN EFFECTIVE TO DATE IN MEETING OUR OBJECTIVES OF HELPING THE LAO MAINTAIN A RELATIVE DEGREE OF MILITARY AND ECONOMIC STABILITY. WE STOOD BY THE LAO DURING THE WAR, GAVE THEM THE SUPPORT THEY NEEDED TO REACH A PEACEFUL SETTLEMENT, AND SHOULD NOW CONTINUE TO ASSIST THEM WITH THE MEANS TO MAKE THE SETTLEMENT WORK. THE DURABILITY OF THE VIENTIANE AGREEMENT, SIGNED IN FEBRUARY 1973, WITH OUR ACTIVE ENCOURAGEMENT, MAKES LAOS THE BRIGHT SPOT IN INDOCHINA. THE LAOS SETTLEMENT HAS WON GENERAL INTERNATIONAL SUPPORT AND INDEED HAS SO FAR LARGELY SUCCEEDED BECAUSE OF THIS SUPPORT. IF THE CEASE-FIRE AND/OR COALITION WERE TO BREAK DOWN, THE IMPACT WOULD BE FELT BEYOND LAOS AND COULD ADVERSELY AFFECT OUR RELATIONS WITH OTHER ASIAN COUNTRIES AS WELL AS WITH THE USSR AND PRC.

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## Message Attributes

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